

## Collective Bargaining in Eastern Europe: Case Study Evidence from Romania

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## Collective Bargaining in Eastern Europe: Case Study Evidence from Romania

**ABSTRACT** ■ This article compares collective bargaining practices in Romania after 1989 with those in continental Western Europe. It focuses on the structures, processes and outcomes of collective bargaining in four large chemical companies; comparisons are also made with other Eastern European countries. Unexpectedly, the findings point to an increase in state intervention in establishing terms and conditions of employment after 1989. The development of collective bargaining in Romania appears to follow a nation-specific path, with the continuance of certain pre-1989 features, such as unclear boundaries between trade unions and management.

**KEYWORDS:** case study ■ collective bargaining ■ Eastern Europe  
■ industrial relations ■ Romania

### Introduction

Despite many studies of recent developments in collective bargaining in Eastern European countries (Janssen and Galgóczi, 2004; Ladó, 2002; Schulten, 2005), there is still debate about the degree to which practices resemble those in continental Western Europe. This article aims to inform this debate, using an actor-centered institutionalist approach to analyse institutional continuity and change in collective bargaining in four large chemical companies in Romania. It evaluates how far practices in Romania resemble those in continental Western Europe, and also offers comparisons with other Central and Eastern European countries (CEECs).

Unlike in Poland and Hungary, the transformation process in Romania started from scratch in 1989, as it had one of the most centralized politico-economic systems in Eastern Europe. The unfavourable initial conditions and gradual approach to transformation led to a very long economic recession. Despite economic growth since 2000, GDP in Romania returned to the 1989 level only in 2004. Output in the chemicals sector fell by about 60 percent (OECD, 1998).

In order to assess collective bargaining practices in Romania, three key features are examined: first, its structural characteristics, in particular the perception of respondents on how the mechanism of collective bargaining was established after 1989. Second, the process of negotiation between parties and their influence in determining selected conditions of employment. It was expected that the legislation after 1989 allowing trade unions and employers to negotiate voluntary collective agreements would lead to a decrease in the role of statutory regulation, while the influence of employers and trade unions would increase; but the evidence points to an increase in state intervention. Finally, the outcomes of collective bargaining are examined. Although findings across CEECs revealed several comparable changes and continuities, the development of collective bargaining in Romania appears to follow a nation-specific path.

## Methodology

The four companies investigated reveal some major issues faced by large companies after 1989. As the economic recession led to a reduction of the domestic market, they had to export more than half of their products in order to survive. All four companies had major job losses and three were not profitable for several years (see Table 1). Each company had at least one union, to which more than 85 percent of the labour force belonged. Two of the case studies (referred to as S1 and S2) were privatized companies and two (P1 and P2) were state-owned enterprises (SOEs). The private companies had limited foreign ownership (Dutch in S1 and Japanese in S2), but the main shareholders were Romanian. Since large domestically owned companies (particularly SOEs) are generally less restructured than foreign-owned companies or small firms (Carlin et al., 1994), and large companies currently employ less than half the Romanian labour force, there is likely to be more institutional continuity in the case studies than the average in Romania.

The study uses quantitative and qualitative data. An employee survey was conducted, with 125 questionnaires distributed in each company via the personnel department. Response rates were very high (123 in S1, 119 in S2, 89 in P1 and 117 in P2). Respondents were selected by stratified random sampling of different employment categories; on average, 77.5 percent were blue-collar workers, 13 percent white-collar and 9.5 percent managers. The survey findings are considered representative for each company investigated, but it is acknowledged that bias might have occurred because the personnel department distributed the questionnaires. However, it was specified in the questionnaire that the study was independent academic research.

In addition to this survey, seven officials from national (intersectoral) institutions – representing the state, employers' associations and trade

**TABLE 1 Profile of the Four Case Studies in 2001**

Company	Ownership (% of main shareholders)	Branch	Number of Employees	Jobs lost since 1989(%)	Profitable
S1	Private since 2000 (70)	Petrochemical	3668	30	Yes
S2	Private since 1995 (85)	Rubber	2000	53	No
P1	Public (90)	Petrochemical	6160	23	No
P2	Public (70.5)	Chemical	1414	55	No

Source: Human Resource Departments.

unions were interviewed, and nine from the chemicals sector. A further 65 interviews were conducted with union officials, shop stewards, human resource managers and employees in the four companies. Thus, this article provides evidence on the perceptions of workers on collective bargaining as well as those of union officials and managers.

The validity of the findings is limited by the fact that they reflect the perceptions of respondents and could not be systematically compared to previous data; the author found no previous case study research on industrial relations in Romania. Thus, the primary data could only be compared to evidence from other CEECs. Although the company is the most important bargaining level in Eastern Europe (Schulten, 2005), case study evidence on collective bargaining practices is very scarce.

## Conceptual Framework – An Actor-Centred Institutional Approach

Path-dependence has been a key concept in the analysis of the transformation of industrial relations in CEECs (Kohl and Platzer, 2003; Pollert, 1999; Stark, 1992). Stark (1992: 20–1) indicates that the central point of the path-dependency paradigm is that:

social change is not a process either directed from above or initiated from below but a result of interactions in which the designs of transformation are themselves transformed, shaped, and modified in response to, and even in anticipation of, the actions of subordinate social groups.

According to this interpretation, the outcome of the transformation is neither determined by the voluntary strategies of the main parties involved nor by external factors, but it is rooted in the historical legacies, traditions and cultural norms in the period before and during the communist period.

Recent studies attempt to provide more rigorous theoretical frameworks for path-dependency analysis (Avdagic, 2005). Mahoney (2000) distinguishes mechanisms of institutional reproduction from mechanisms of change, and identifies four main types of path dependency explanations. First, in the case of utilitarian explanations, the institution is reproduced through a rational cost–benefit assessment of actors, whilst change is determined by increased competitive pressures and learning from previous experiences. Second, in a functional explanation, an institution is reproduced because it serves a necessary function for the overall system, while an exogenous shock is needed to transform the system. Third, the power explanation refers to the fact that an institution is reproduced because it is supported by an elite group of actors. The mechanism of change is related to power dynamics, specifically a decline in the power of elites and an increase in that of other groups. Finally, the legitimization explanation refers to the fact that institutions are reproduced because actors believe them to be morally just.

Apart from its lack of coherence, path dependence is criticized because it does not explain the emergence of the institutions and how substantial change in institutions may occur (Mahoney, 2000). Additionally, in the context of the transformation process in CEECs, Pollert (1999) criticizes it as being deterministic, underplaying the role of exogenous factors, and because it is speculative rather than empirically grounded. Also, Avdagic (2005) presents convincing arguments against the determinism of path-dependence. Although path-dependence explains the role of the past legacies well, its determinism and complexity are important shortcomings for explaining changes in collective bargaining in CEECs.

A theoretical approach that relaxes the deterministic assumptions of traditional path-dependency, by arguing that actors have certain degrees of choice in selecting their strategies, is the actor-centered institutionalist approach (Scharpf, 1997). Müller-Jentsch (2004) applies this approach to industrial relations: institutions ought to be the main focus of analysis, but they need to be understood as an interaction between actors and the institutional context. The creation and the modification of labour institutions is an evolutionary process primarily determined by the power and counter-power of the participating actors. This argument is largely consistent with Mahoney's (2000) power explanation of path-dependence, while it is specifically operationalized for industrial relations.

Müller-Jentsch indicates that this approach consists of three analytical layers: the historic-constitutional analysis of actors and institutions, the arena and the negotiation concepts. The arena is the forum where negotiations and conflicts between the actors takes place (e.g. collective bargaining), limiting their choices but allowing them some discretion to negotiate. The negotiation concept refers to cooperative and conflictive interactions between the actors and the outcomes of the negotiation

process. This article focuses on the arena for collective bargaining and negotiation concepts, because a historic-constitutional analysis of actors and labour institutions in Romania has been examined in other studies (Trif, 2004).

It is expected that after a historical turning point, such as the fall of communist regimes, the process of building and reforming institutions is path-dependent. The development of labour institutions is likely to follow nation-specific paths, while variation within a specific country may exist because of different power dynamics between the local actors (Avdagic, 2005; Müller-Jentsch, 2004).

## Collective Bargaining in Eastern and Western Europe

Despite large variations in collective bargaining mechanisms across countries, there are some basic common characteristics specific to a politico-economic system. Table 2 outlines the main common features of collective bargaining in centrally planned and market-based economies. During the communist period, collective bargaining was not an essential mechanism for setting the terms and conditions of employment. Generally, the state determined wages directly by setting wage scales and wage funds for enterprises, or indirectly by regulations based on the central plan (Héthy, 1991). In countries such as Hungary and Poland (where there was a degree of decentralization) limited collective bargaining at company level took place (Héthy, 1991; Pravda and Ruble, 1986), but in Romania there was no tradition of voluntary collective bargaining.

In contrast, collective bargaining has been the main mechanism for establishing terms and conditions of employment in Western Europe since the Second World War (Traxler and Behrens, 2002). Its structure varies greatly across countries, but multi-employer bargaining is predominant in Western Europe (Schulten, 2005). Employers have generally more power than unions (as they own the resources), while the relations between the two parties may vary from cooperative to adversarial (Crouch, 1993). For the state and employers, the main functions of collective bargaining in a market economy are to ensure social peace and enhance efficiency, while for employees it provides a protective function (Traxler, 1998). These basic features of collective bargaining in Western Europe are used as a benchmark to evaluate developments in CEECs, especially in Romania.

Throughout CEECs, voluntary collective bargaining was made legally possible from the beginning of the 1990s (Ladó, 2002). As Table 2 shows, collective bargaining coverage is far lower than in Western Europe and single-employer bargaining prevails. The low coverage in CEECs is associated with the decentralized structure of collective bargaining and low level of organization of both employees and employers. The weak development

**TABLE 2. Basic Features of Collective Bargaining in Eastern and Western Europe**

Collective bargaining	CEECs pre-1989	Continental Western Europe	CEECs after 1989
Legislative Framework	Statutory legislation (coercive)	Voluntary mechanism, but some statutory regulation	Elements of voluntary mechanism, but heavily regulated by legislation
Coverage	100 percent, but no genuine bargaining	>65 percent in most countries	<40 percent in most countries
<b>Structure</b>			
Level/Type	To a reduced degree at company level	Sectoral/ multi-employer predominant	Company/Single employer bargaining predominant
Parties	Trade union and State	Trade union and employers' association or individual employer	Trade union and (usually) individual employer
Power relations	Trade unions subordinated to the (party-) state	Employers generally stronger than unions	Private employers far stronger than unions
<b>Process</b>			
Type of relations	Cooperation (no right to strike) <sup>a</sup>	Cooperative and adversarial (right to strike)	Cooperative and adversarial (right to strike)
<b>Outcomes</b>			
For the state	Legitimacy	Increase efficiency and social peace	Legitimacy, social peace
For employers	Not applicable	Increased labour productivity, conflict resolution	Legitimacy, conflict resolution
For employees	Certain distributive function (substantive rules)	Voice and distributive (substantive and procedural rules)	Predominantly voice (procedural rules)

<sup>a</sup>Except Poland after 1982 and to certain extent in Hungary from the 1970s. Source: Héthy (1991); Schulten (2005).

of sectoral bargaining is generally explained in terms inherited institutional legacies (strong legal intervention and company-based trade unions) as well as employers' preferences (Draus, 2001; Tóth, 1997). Nevertheless, the coverage of collective agreements varies in CEECs, from below 20 percent in Latvia and Lithuania to 100 percent in Slovenia (Schulten, 2005).

The emerging similarities and differences in collective bargaining practices at company level in CEECs are not well documented. Aro and Repo (1997) conducted in 1995–6 the only comparative survey in this area. However, while the survey only presents the perceptions of trade union negotiators in Bulgaria, the Czech Republic, Hungary, Poland and Slovakia and has certain methodological shortcomings (e.g. sample size varying greatly across countries), it is still the most comprehensive comparative study available. Overall, their findings indicate that there are important differences in collective bargaining practices across countries.

The survey findings are largely confirmed by Thirkell et al. (1995), who examined 14 companies in the same five countries. However, Aro and Repo (1997) found greater union influence on terms and conditions of employment, despite a decrease in union density, while other studies indicated a decline of union influence at company level, particularly in private companies (Pollert, 1999, 2000; Thirkell et al., 1995). Additionally, case study evidence reveals major differences between large manufacturing companies in each country in terms of collective bargaining practices and the strength of trade unions (Pollert, 1999; Thirkell et al., 1995). Thus, there is disagreement about the influence of the parties on collective bargaining and there is virtually no evidence on collective bargaining practices at company level in Romania.

## **Structural Characteristics of Collective Bargaining in Romania**

### **Heavy Statutory Regulation of the Collective Bargaining Mechanism**

In Romania, legislation regulates the mechanism of collective bargaining to a higher degree than in other CEECs (Clarke et al., 2003). The law allows only a single collective agreement to be negotiated at national, sectoral and company levels, which should cover all employees in the bargaining unit. It also stipulates the requirements which should be fulfilled for the parties to be allowed to negotiate at each level. Additionally, it indicates the minimal scope of a collective agreement and requires that provisions in collective agreements at lower levels must be similar or more favourable for employees than those at higher levels.

Interviewees revealed that the legislative framework was negotiated between the government and trade unions. Both parties have achieved certain advantages. For the government, the establishment of (more or less)



free collective bargaining was part of the democratization process that enhanced their legitimacy. For (representative) trade unions, it guaranteed that each employer (in companies with more than 21 employees) or representative employers' association is obliged to negotiate with them. In 2005, foreign investors had tried to remove this obligation during the revision of the Labour Code, but the unions managed to preserve it. Despite major constraints during the shift from centrally planned economies to market-based economies, developments in Romania show that unions have important influence on the establishment of labour institutions.

### **Decentralized Collective Bargaining**

Collective bargaining has become an important mechanism through which terms and conditions of employment are established in Romania. The multi-sector national agreement for 2005–06 formally covers all employees. In 2005, 86 percent of the labour force was covered by sectoral agreements (Preda, 2006). However, agreements concluded at national and sectoral levels only provide minimal frameworks for negotiations at company level. Despite being covered by national and sectoral agreements, in all four case studies, respondents indicated that the company is the most important level where the actual terms and conditions of employment are set.

A decentralized structure of collective bargaining is very common in CEECs. The inherited legacies, particularly the existence of company unions alongside a weak development of employers' associations, frequently made company collective bargaining the only option available (Ladó, 2002). In Romania, a single collective agreement that covers all employees seems to be a continuation of the pre-1989 era ideology, which did not tolerate pluralism and competition. On the other hand, the policy to introduce a market-based economy along with the increase of unemployment, strengthened employers' bargaining power. Additionally, in the ambiguous transition context, employers preferred to determine the terms and conditions of employment at company level. Furthermore, there has been an increase of single-employer bargaining even in Western Europe (Schulten, 2005), to allow more flexibility at company level to adapt to changes in the economic environment. Therefore, inherited legacies along with a general economic and political environment that supports market forces resulted in a collective bargaining structure far more decentralized in most CEECs than in Western Europe.

### **Weak Representativeness of the Parties**

A precondition for collective bargaining is the existence of independent parties whose members are willing to delegate authority to the representative organizations. In three out of the four companies investigated, respondents

have doubts about the degree of independence of the unions from the management. Their suspicions are substantiated by the interview data. For example, in company S2 the management provides similar facilities for officials of the two trade unions as for top managers, and pays their wages. In P2, the leader of the union negotiation team in 2000 was part of the management negotiating team in 2001 (as he was not re-elected as a union official). These practices appear to be a heritage of pre-1989 era, but generally, trade unions are not totally subordinated to management and employees can change union officials, as P2 demonstrates. Nevertheless, the findings indicate that the lack of a clear line between the management and trade unions has remained in some companies.

Evidence shows that the authority given to the negotiating parties to make concessions during the bargaining process varies across companies. Trade unions could make independent decisions and alter the claims drafted in advance in all four cases, while employer representatives adjusted their original claims in only two. In company P1, respondents reported that top managers did not have the mandate to modify the decisions defined in advance, while in S2, top managers could impose their will. This evidence substantiates the findings of Aro and Repo (1997) in other CEECs, by demonstrating that employer representatives have, at times, sufficient bargaining power to refuse any concessions. With regard to the authority given to the trade unions, it appears that Romanian unions are closer to the Hungarian ones, having a high degree of freedom to adjust their initial claims (Aro and Repo, 1997).

Bargaining resulted in a collective agreement in each company investigated. These were recorded in writing and did not seem to be approved by anybody other than the negotiation team. In conformity with the legislation, the agreements were validated and registered by the appropriate district labour inspectorate and subsequently they covered all employees. Most CEECs have written collective agreements which have to be registered with a specialized state agency (Schulten, 2005). However, it is not clear if this reflects a persistence of bureaucratic routines which existed during the communist period, because this practice is also found in some Western European countries (e.g. Germany and France) (Schulten, 2005).

## **Collective Bargaining after 1989**

### **The Impact of the State on Terms and Conditions of Employment**

Considering that the state established the terms and conditions of employment before 1989, it was expected that its influence on terms and conditions of employment would decrease with progressive adoption of pluralist legislation. However, survey data presented in Table 3 indicate that in the opinion of 43 percent respondents on average, the influence of

statutory legislation on terms and conditions of employment increased, while only 12 percent considered that it decreased. In contrast to other findings in CEECs (Ladó, 2002; Pollert, 1999), respondents perceived that the state has more freedom to intervene in industrial relations than before 1989.

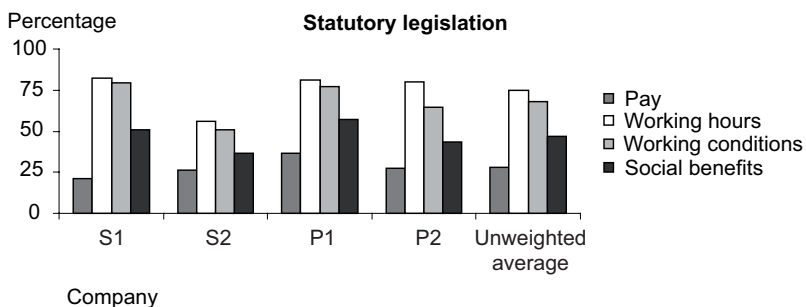
Nevertheless, fewer than a third of respondents consider that the state still has a high influence on pay, while more than two-thirds perceive that the state has a strong influence on working hours and working conditions (Figure 1). Overall, respondents consider that the impact of the state on terms and conditions of employment increased rather than decreased after 1989.

The highest proportion of respondents who considered that state influence had increased was in company S1, where the state had a huge impact on job security on two occasions. In 1997, the company was almost closed down as it was making huge losses; and in 2000, the state agencies managed the process which resulted in a privatization contract that obliged the new owner to preserve the existing number of jobs for

**TABLE 3. Influence of *Statutory Legislation* on Terms and Conditions of Employment after 1989 (% of Respondents)**

Company	Increased	No change	Decreased	Don't know	Did not work before 1989	Number respondents
S1	60.0	20.0	3.3	7.5	9.2	120
S2	31.0	21.2	15.0	15.9	16.8	113
P1	34.8	22.5	14.6	11.2	16.9	89
P2	45.6	17.5	15.8	13.2	7.9	114
Unweighted average	43.6	20.2	11.9	11.9	12.4	Total 436

**FIGURE 1. Percentage of Respondents Considering that *Statutory Legislation* has a High Influence on Selected Terms and Conditions of Employment**



the next five years. Taking into account that between 23 percent and 55 percent of employees lost their jobs after 1989 in the four companies investigated, it is natural that employees are more concerned with job security than with the level of pay or other terms and conditions of employment.

Although the Romanian state does not always enforce financial discipline (Dochia, 2000), employees perceive intensely the threat of losing their jobs after 1989, when companies such as S1 temporarily stopped operating or were closed down. Employees' perception of the increase in the state intervention at company level after 1989 seems to be linked to an expanding state jurisdiction in other areas, such as the privatization process and enforcing financial discipline, which are closely linked with job security.

### The Impact of Employers and Top Managers on Terms and Conditions of Employment

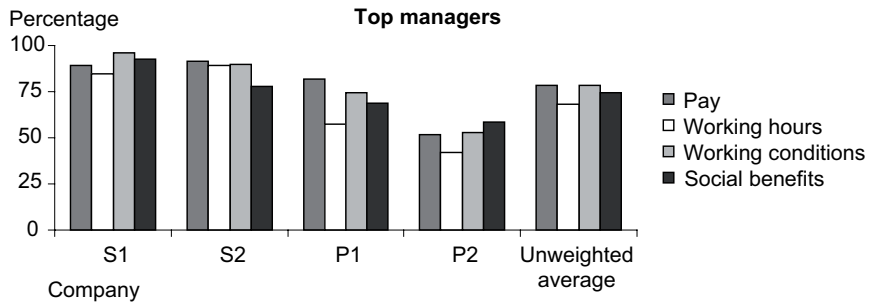
An important obstacle to the development of sectoral collective bargaining in CEECs is the unwillingness of employers to delegate negotiating powers to employers' associations (Tóth, 1997). They have enough authority at company level to determine the terms and conditions of employment as they desire. Table 4 indicates that the influence of the top managers increased in the opinion of 55 percent of the respondents, on average in the four companies examined, while only 14 percent considered that it decreased.

Additionally, more than 75 percent of the respondents indicated that top managers have a strong influence over specific terms and conditions of employment, such as pay and working conditions (Figure 2). This confirms the expectation that the influence of employers or their representatives (top managers) over terms and conditions of employment would increase with the progressive adoption of pluralist legislation, and substantiates other findings in CEECs which indicated that poor development of the employers' associations is associated with strong employer

**TABLE 4. Influence of *Top Managers* on Terms and Conditions of Employment after 1989 (% of Respondents)**

Company	Increased	The same	Decreased	Don't Know	Did not work before 1989	Number respondents
S1	77.2	7.3	2.4	3.3	9.8	123
S2	56.1	10.5	5.3	10.5	17.5	114
P1	39.3	19.1	6.7	18.0	16.9	89
P2	45.6	17.5	22.8	6.1	7.9	114
Unweighted average	54.6	13.6	9.3	9.5	13.0	Total 440

**FIGURE 2. Percentage of Respondents Considering that *Top Managers* have a High Influence on Selected Terms and Conditions of Employment**



influence at company level, particularly in the private sector (Martin, 1999; Pollert, 2000).

### The Impact of Trade Unions on Terms and Conditions of Employment

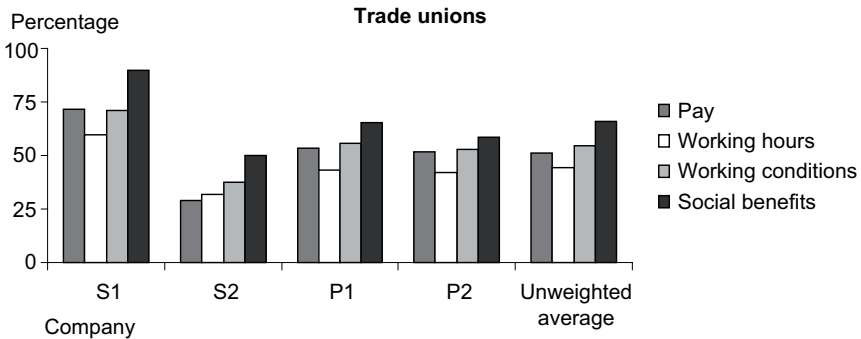
The collapse of the communist regime gave unions the opportunity to negotiate collective agreements with employers. Survey data presented in Table 5 show that on average, more than 50 percent of the respondents consider that trade union influence increased in the four companies investigated. Aro and Repo (1997) found a similar trend in other CEECs: union influence increased between 1992 and 1995 in more than 30 percent of the bargaining units investigated. A Romanian union representative indicated that immediately after 1989 the unions were very strong and some had extreme demands, but as they got more experience, they became more realistic and constructive. In addition, the economic recession and increased unemployment reduced trade union power in the second half of the 1990s.

Collective bargaining is generally the most important function of trade unions in a market economy. Figure 3 indicates that on average, more than

**TABLE 5. Influence of Trade Unions on Terms and Conditions of Employment after 1989 (% of Respondents)**

Company	Increased	The same	Decreased	Don't know	Did not work before 1989	Number respondents
S1	81.3	6.5	2.4	0.8	8.9	123
S2	35.4	19.8	18.1	9.5	17.2	115
P1	56.2	11.2	11.2	4.5	16.9	89
P2	50.9	20.2	18.4	2.7	7.9	114
Unweighted average	56.0	14.4	12.5	4.4	12.7	Total 441

**FIGURE 3. Percentage of Respondents Considering that *Trade Unions* have a High Influence on Selected Terms and Conditions of Employment**



50 percent of respondents consider that trade unions have a high influence on specific terms and conditions of employment. Their highest impact is on social benefits, followed closely by working conditions and pay.

Despite very high union density in all four companies, there is variation in union influence on terms and conditions of employment. The largest difference is between the two private companies S1 and S2. Company S1 is part of a profitable and growing corporation, while the holding group to which company S2 belongs has serious financial difficulties, hence it appears that the financial situation of the company has an important impact on trade union influence. Respondents from S2 indicated that trade union influence decreased after 1997, when company profits were declining. Nevertheless, loss-making companies may have a strong union, as illustrated by the case of a SOE in Poland (Thirkell et al., 1995).

Another key factor that affects the influence of trade unions at company level is the commitment of union leaders to protect workers' interests. As noted above, the employer pays trade union leaders in the company S2 and they have similar facilities to those of the top managers. As a result, they are not enthusiastic in protecting employees' interests, considering that they may lose the benefits provided by the employer. Furthermore, the fact that S2 was privatized five years earlier than S1 may indicate that privatization has reduced trade union power. Therefore, the findings suggest that the financial situation of the company and the commitment of union leaders to protect employees' interests have an important effect on union bargaining power, while it is not clear if privatization causes a decline in trade union influence as some studies suggest (Pollert, 1999).

### **The Key Bargaining Issues: Wages and Social Benefits**

The main issues negotiated at company level were wages, social benefits, working conditions, job security, working hours, holidays, facilities for trade union activities and disciplinary and grievance procedures.

As Thirkell et al. (1995) found, the scope of collective bargaining was extended after 1989, but a degree of continuity from pre-1989 era still exists.

Working hours are tightly regulated by the Labour Code: generally, employees should work eight hours per day and 40 hours per week. Maximum working hours are nine per day and 48 per week. Working time had been an issue in all four companies, not because of demands for a reduction of working hours, but because employees asked management to provide sufficient raw materials to work continuously to receive their full wage. Trade union officials indicated that it has been very difficult to negotiate terms and conditions of employment when shortages of raw materials caused interruptions to production. The key issue was thus to ensure continuity of work during the legally permitted working time.

As legislation leaves little room to modify working time, wages are the main bargaining issue in all four companies. Remuneration clauses defined a basic wage based on qualifications, supplements for special conditions (up to 25 percent of the basic wage) and individual seniority bonuses. In addition, in companies S2 and P2 there were collective or individual performance-related bonuses. In the petrochemical complexes S1 and P1, where production depends primarily on technology and the quality of the raw materials, there was a time-based wage system. Thus, the wage structure has changed to a certain extent (being linked to collective or individual performance when possible), but qualifications and seniority are still important criteria in establishing remuneration, as before 1989.

During the communist period, managers could not motivate employees because of low wages and small wage differentials (Héthy, 1991). Evidence suggests that this problem still exist in three of the companies. Except in company S1, wages barely cover the cost of living. Managers have the authority to discipline workers, but not to reward them. A line manager said: 'I can only sanction employees, but I cannot give them any bonus ... In addition, the wage is so low that I think their family would not have enough money for the basic needs, so often I do not penalize them at all.' However, those with poor disciplinary records were the first to be made redundant, and the threat of losing their job is likely to make employees work harder.

In each company more than 80 percent of respondents consider that top managers have a high influence on wages (Figure 2), while around half of respondents indicate that on average trade unions have strong influences on wages (Figure 3). As in Western Europe, collective bargaining is the main mechanism that sets wages in large companies with a unionized labour force, with employers having a higher influence on wages than trade unions.

Social benefits are another key bargaining issue. The collective agreement in each company includes provision for subsidies of around 50 percent for holiday tickets, premia for Easter and Christmas, and food

vouchers. Medical services are provided in all four companies and in two of them the facilities have been improved since 1989. In addition, company P1 had a leisure complex for employees. All companies had stopped providing flats for employees, but the two private companies still have subsidized hostels.

The survey shows that, as with wages, top managers have the highest influence in determining social benefits (Figure 2), but union influence is also strong (Figure 3). It appears that management and employees have a common interest in certain social benefits. According to a human resource manager, because of low living standards, a free lunch is likely to improve labour productivity. Moreover, food vouchers provided by the employer are exempt from tax. Health services with staff specialized in dealing with company-specific complaints are likely to reduce absenteeism, as there are frequent accidents in the production sections. A blue-collar worker said that 'almost everybody had a work accident. I inhaled ammonia in 1991 and I was scalded with hot water in 1993.' Public health services are theoretically free of charge, but in practice it is very common to give a substantial 'compensation' in order to get adequate treatment.

The persistence of social benefits distributed by the company has been found in other CEECs: large enterprises have maintained their social role in guaranteeing a minimum standard of protection in an unstable and unpredictable environment, when the state fails to provide an adequate safety net. For instance, Aro and Repo (1997) found that health services existed in more than 70 percent of the units investigated in Slovakia, the Czech Republic and Bulgaria. Nevertheless, the provisions in the four companies investigated are likely to be more extensive than the average in Romania, as these companies are very large and highly unionized.

### **Collective Disputes at Company Level**

Industrial action at company level is relatively rare in Romania (Martin, 1999); collective agreements are generally concluded through dialogue and compromise between trade unions and employers' representatives, but mediation or arbitration are used when necessary, as in Western European countries. However, there have been collective disputes in the companies investigated. In P2, according to a trade union official, no agreement was reached after two months of negotiations in 2001, because management did not want to conclude the agreement. The union registered a dispute with the Ministry of Industry, and a week later management signed the agreement. There was also a dispute in S2 in 2001, because wages and bonuses stipulated in the collective agreement were not paid on time. It started with a protest demonstration organized by the trade unions, but subsequently the majority of employees refused to start work until they had a response to their demands. The unions did not



support the stoppage (officials stayed inside of the company headquarters as required by the management). Three days of strike and three days lock-out did not hurt the employer, since there was a shortage of raw materials at the time. Eventually the employees received the disputed wages and bonuses, but later than stipulated in the collective agreement.

The majority of interviewees, including trade union representatives, considered that a strike should be used only in extreme cases (e.g. against company closure), while all other issues should be resolved through dialogue. Such opinions might be linked to the pre-1989 unitarist culture, but may also be due to the problems of company survival and consequential job insecurity. In addition, since chemical installations are supposed to work continuously, it is not easy to stop production, and restarting production at the specified parameters is a long and difficult process. Hence attitudes may be different in other sectors.

### **The Outcomes of Collective Bargaining**

It appears that the minimal frameworks agreed at national and sectoral levels along with decentralized collective bargaining rarely result in positive outcomes for the three parties. For the state, sectoral collective agreements have not ensured increased efficiency in the chemicals sector; companies which do not implement even the minimal terms and conditions of employment are forced neither by the state nor by trade unions to go out of business. The impact of collective bargaining on social peace is not clear: in most CEECs the number of strikes decreased during the 1990s, but collective agreement coverage also declined (Schulzen, 2005). For employers, collective bargaining did not result in profitability in three of the companies investigated, although it is possible that it contributed to improved labour productivity and conflict resolution. For employees, collective bargaining has given a voice in establishing terms and conditions of employment, but in the three non-profitable companies they have low wages and high job insecurity. Nevertheless, their situation might be even worse without collective bargaining and trade union representation.

Company S1, by contrast, had considerable profits and virtually all respondents were content with their terms and conditions of employment; a blue-collar worker said that wages are around five times higher than the average in Romania. Additionally, the collective agreement ensures job security, individual health insurance as well as improvements in medical services and working conditions. Given that a positive outcome for capital and labour was found in the company with the strongest union, it could be concluded that a balanced power relationship between capital and labour is likely to result in benefits for both parties (Crouch, 1993).

Nevertheless, a strong trade union is not enough to achieve a positive outcome in the exchange between labour and capital (Thirkell et al., 1995). In S1, both parties had negative outcomes during the 1990s when the company made huge losses, despite having a strong independent union. The company has become profitable and can afford to pay high wages only because of a buyer with resources to make it profitable. The new managerial team sought to achieve a committed labour force by providing high wages and training as well as involving employees collectively and individually in organizational change. In the other three companies, the outcome of the exchange between capital and labour was negative for both parties, as they were not profitable for several years, while employees had low wages and high job insecurity. Despite over 85 percent union density, top managers had a far stronger influence on wages than the trade unions.

## Conclusions

This study evaluates change and continuity in collective bargaining practices in Romania after 1989. The main change is the decentralization of bargaining, reflected in the larger scope for establishing terms and conditions of employment at company level and more authority delegated to trade unions and top managers. In addition, the use of the strike as a (potential) power resource for the unions is a new phenomenon. Nonetheless, there is a persistence of high state intervention and the unitarist culture from the pre-1989 period. Additionally, the unclear boundaries between employer and employee representatives indicate that features of collective bargaining in Romania are different from those in Western Europe. In line with the path-dependency argument, the findings suggest that collective bargaining in Romania was built on pre-existing structures and practices.

The main contribution of this article is to provide primary data on collective bargaining practices in Romania after the fall of the communist regime, in companies typical of those operating before 1989. The findings confirm that the influence of top managers and trade unions in setting terms and conditions of employment has increased, while state intervention on pay has decreased. Nevertheless, respondents perceived an increase in the state intervention at company level after 1989, because of expanding of state jurisdiction in such areas as the management of the privatization process and the enforcement of financial discipline, with implications for job security. The state intervention discovered in the case studies is likely to be higher than the average in Romania, because these companies are very large and have limited foreign investment.

Although findings across CEECs reveal comparable changes and continuities, collective bargaining in Romania appears to follow a nation-specific

development path. In contrast to most CEECs, employers are obliged to initiate the collective bargaining process in all companies with more than 21 employees, and there is an extension mechanism at each level. Also, the perception of an increase in state influence on terms of conditions of employment after 1989 was not found in other CEECs; it appears that the Romanian state preserved its strong intervention in industrial relations longer than elsewhere. However, its intervention at company level is likely to decrease, as the privatization process is almost completed and more than half the labour force currently works in foreign-owned companies.

Differences in collective bargaining across countries are likely to be determined to a certain extent by dissimilarities in legislation, nationally inherited legacies and the progress of economic reforms (Aro and Repo, 1997; Clarke et al., 2003). However, differences among companies investigated cannot be explained by such factors. The case of company S1 shows that the trade union and the top management played a crucial role in establishing a collective bargaining mechanism that contributed to a positive outcome for both parties. In a context where institutions are not well consolidated (Vickerstaff and Thirkell, 2000), the local power-holders have a high degree of choice, as differences between the four case studies indicate. Thus, the findings substantiate recent studies that relax the assumptions of a deterministic path-dependency (Avdagic, 2005; Mahoney, 2000).

This article contributes to a deeper understanding of institutional change in the context of a shift from a centrally planned to a market-based economy. It appears that the historical legacies and the previous institutional setting have played an important role during the transition process (Clarke et al., 2003; Pollert, 1999). Nevertheless, the findings suggest that collective bargaining varies across countries and companies, being dependent on the co-evolution between the specific context and the choices of power-holders, as actor-centred institutionalist approaches claim. Considering the limited empirical data and the fact that labour institutions are still in flux, further research is needed to give a comprehensive and conclusive answer to the debate of convergence versus divergence in collective bargaining practices in Romania in comparison to other CEECs and to continental Western Europe.

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